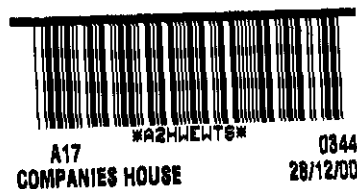


MITIE CLEANING (NORTH) LIMITED

Report and Financial Statements

11 March 2000



**Deloitte & Touche
Queen Anne House
69-71 Queen Square
Bristol
BS1 4JP**

REPORT AND FINANCIAL STATEMENTS 2000

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OFFICERS AND PROFESSIONAL ADVISERS

DIRECTORS

D M Telling
M J Crompton
P M Doherty
E J Manning
M McCarthy
I R Stewart

SECRETARIES

A F Waters
M O Thomas (resigned 4 May 2000)
C K Ross (appointed 4 May 2000)

REGISTERED OFFICE

The Stable Block
Barley Wood
Wington
Bristol
BS40 5SA

BANKERS

HSBC Bank plc
49 Corn Street
Bristol
BS99 7PP

AUDITORS

Deloitte & Touche
Queen Anne House
69-71 Queen Square
Bristol
BS1 4JP

DIRECTORS' REPORT

The directors present their annual report and audited financial statements for the financial year ended 11 March 2000.

The financial statements have been made up to 11 March 2000, being a date not more than seven days before the accounting reference date as permitted by Section 223 of the Companies Act 1985.

STATEMENT OF DIRECTORS' RESPONSIBILITIES

Company law requires the directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the company as at the end of the financial year and of the profit or loss of the company for that period. In preparing those financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping proper accounting records, which disclose with reasonable accuracy at any time the financial position of the company to enable them to ensure that the financial statements comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

PRINCIPAL ACTIVITY AND REVIEW OF THE BUSINESS

The principal activity of the company during the year remained the provision of cleaning services to industrial and commercial clients.

The company's business developed satisfactorily and the directors consider that the company is in a good position to continue that development.

RESULTS AND DIVIDENDS

The profit for the year after taxation amounted to £1,220,253 (1999: £1,009,830). The directors recommend that this amount be dealt with as follows:

	£
Ordinary dividends:	
- Final proposed £6,100 per share	610,000
Transfer to reserves	610,253
	<hr/>
	1,220,253
	<hr/> <hr/>

FIXED ASSETS

Details of movements in fixed assets during the year are set out in Note 6 to the financial statements.

DIRECTORS' REPORT (continued)**DIRECTORS AND THEIR INTERESTS**

The directors during the year were as follows:

D M Telling
 M J Crompton
 P M Doherty
 M McCarthy
 I R Stewart
 E J Manning (appointed 23 June 1999)

No director had a beneficial interest in the share capital of the company during the year.

Messrs D M Telling and I R Stewart are directors of MITIE Group PLC, the parent undertaking, and their interests in the share capital of that company are shown in the financial statements of MITIE Group PLC.

Other directors' interests in the share capital of MITIE Group PLC are as follows:

	At 11 March 2000 5p Ordinary shares No.	At 14 March 1999 5p Ordinary shares No.
M J Crompton	-	11,000
M McCarthy	3,085,970	3,685,970

No other director had an interest in the share capital of MITIE Group PLC.

PAYMENT POLICY

The company's policy is to comply with the terms of payment agreed with a supplier. Where terms are not negotiated, the company endeavours to adhere with the supplier's standard terms. As at 11 March 2000 trade creditors, as a proportion of amounts invoiced from suppliers for the year, represented 39 (1999: 67) days.

YEAR 2000

The year 2000 project completed all critical milestones well within the project timescale and all the primary business systems have completed both the millennium rollover and leap year rollover without any issues. Although these critical dates have been successfully passed, the Executive Steering Committee is not being complacent in considering the possible impact from latent problems outside the control of MITIE.

We have made considerable effort in determining the compliance of critical players in our suppliers/customer chain and are confident of continued trouble free operation.

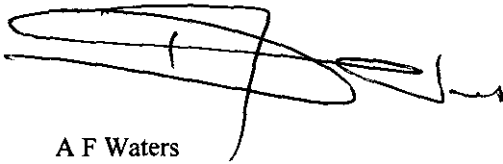
The year 2000 project team will remain operational, with suitable contingency plans, until it is considered that sufficient time has passed for all possible external issues to be identified and resolved.

DIRECTORS' REPORT (continued)

AUDITORS

A resolution for the reappointment of Deloitte & Touche as auditors of the company is to be proposed at the forthcoming Annual General Meeting.

Approved by the Board of Directors
and signed on behalf of the Board

A handwritten signature in dark ink, appearing to be 'A F Waters', written over a horizontal line.

A F Waters
Secretary

11 August 2000

AUDITORS' REPORT TO THE MEMBERS OF

MITIE CLEANING (NORTH) LIMITED

We have audited the financial statements on pages 6 to 16 which have been prepared under the accounting policies set out on page 9.

Respective responsibilities of directors and auditors

As described on page 2, the company's directors are responsible for the preparation of financial statements. It is our responsibility to form an independent opinion, based on our audit, on those statements and to report our opinion to you.

Basis of opinion

We conducted our audit in accordance with Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Opinion

In our opinion the financial statements give a true and fair view of the state of the company's affairs as at 11 March 2000 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

Deloitte & Touche

Chartered Accountants and
Registered Auditors

14 August 2000

PROFIT AND LOSS ACCOUNT
Year ended 11 March 2000

	Notes	Continuing operations	
		2000	1999
		£	£
TURNOVER	1	29,904,191	26,211,723
Cost of sales		(22,504,433)	(19,757,072)
GROSS PROFIT		7,399,758	6,454,651
Administrative expenses		(5,556,678)	(4,970,524)
OPERATING PROFIT	2	1,843,080	1,484,127
Interest payable	3	(59,569)	(64,342)
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		1,783,511	1,419,785
Tax on profit on ordinary activities	4	(563,258)	(409,955)
PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION		1,220,253	1,009,830
Dividends	5	(610,000)	(505,000)
RETAINED PROFIT FOR THE YEAR	11	610,253	504,830

There are no recognised gains and losses for the current financial year or preceding financial year other than as stated in the profit and loss account.

BALANCE SHEET
At 11 March 2000

	Notes	2000		1999	
		£	£	£	£
FIXED ASSETS					
Tangible assets	6		2,318,255		2,192,054
CURRENT ASSETS					
Debtors	7	4,664,596		5,063,264	
Cash at bank and in hand		2,950		2,900	
		<u>4,667,546</u>		<u>5,066,164</u>	
CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR	8	<u>(4,177,491)</u>		<u>(5,056,141)</u>	
NET CURRENT ASSETS			<u>490,055</u>		<u>10,023</u>
TOTAL ASSETS LESS CURRENT LIABILITIES			<u>2,808,310</u>		<u>2,202,077</u>
CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR	9		<u>(880)</u>		<u>(4,900)</u>
NET ASSETS			<u><u>2,807,430</u></u>		<u><u>2,197,177</u></u>
CAPITAL AND RESERVES					
Called up share capital	10		100		100
Profit and loss account	11		2,807,330		2,197,077
TOTAL EQUITY SHAREHOLDERS' FUNDS	12		<u><u>2,807,430</u></u>		<u><u>2,197,177</u></u>

These financial statements were approved by the Board of Directors on 11 August 2000.

Signed on behalf of the Board of Directors



D M Telling
Director

CASH FLOW STATEMENT
Year ended 11 March 2000

	Notes	2000		1999	
		£	£	£	£
Net cash inflow from operating activities	13		2,945,408		2,079,467
Returns on investments and servicing of finance					
Interest paid		(61,375)		(62,329)	
Interest element of finance lease rental payments		(1,859)		(8,961)	
Net cash outflow from returns on investments and servicing of finance			(63,234)		(71,290)
Taxation					
UK corporation tax paid			(621,988)		(397,055)
Capital expenditure					
Payments to acquire tangible fixed assets		(1,058,600)		(1,349,988)	
Receipts from disposal of tangible fixed assets		86,573		255,663	
Net cash outflow from capital expenditure			(972,027)		(1,094,325)
Equity dividends paid			(505,000)		(426,000)
Cash inflow before financing			783,159		90,797
Financing					
Capital element of finance lease rental payments			(10,731)		(56,506)
Increase in cash in the year	15		772,428		34,291

NOTES TO THE ACCOUNTS
Year ended 11 March 2000**1. ACCOUNTING POLICIES****Accounting convention**

The financial statements are prepared under the historical cost convention and are prepared in accordance with applicable accounting standards.

Turnover

Turnover represents the total, excluding sales taxes, receivable in respect of goods and services supplied. All turnover arises within the United Kingdom.

Tangible fixed assets and depreciation

Tangible fixed assets are stated at cost less depreciation. Depreciation is provided on all tangible fixed assets at rates calculated to write off the cost, less estimated residual value, of each asset on a straight-line basis over its expected useful life, as follows:

Plant and office equipment	4 to 5 years
Motor vehicles	4 years

Leasing and hire purchase commitments

Assets obtained under hire purchase contracts and finance leases are capitalised as tangible fixed assets at the estimated net present value of underlying lease payments and are depreciated in accordance with the above policy. Obligations under such agreements are included in creditors net of finance charges allocated to future periods. The finance element of the rental payments is charged to the profit and loss account over the period of the lease or hire purchase contract.

Rentals paid under other leases (operating leases) are charged against income on a straight-line basis over the lease term.

Deferred taxation

Provision is made for deferred taxation using the liability method in respect of timing differences to the extent that liabilities will crystallise in the foreseeable future.

Pension costs

Pension costs represent amounts paid to one of the group's pension schemes. Details of the schemes are given in the financial statements of MITIE Group PLC.

NOTES TO THE ACCOUNTS
Year ended 11 March 2000

2.	OPERATING PROFIT is stated after charging/(crediting):	2000	1999
		£	£
	Depreciation - owned fixed assets	793,670	718,866
	Depreciation - assets under finance leases and hire purchase contracts	63,401	65,324
	Operating lease rentals:		
	- land and buildings	122,100	89,965
	- plant and equipment	47,509	161,686
	Auditors' remuneration - audit services	4,000	4,000
	Profit on disposal of tangible fixed assets	(11,245)	(358)
		<u> </u>	<u> </u>
3.	INTEREST PAYABLE	2000	1999
		£	£
	On bank overdraft repayable within five years	57,710	55,287
	On finance leases and hire purchase contracts terminating within five years	1,859	8,961
	Other	-	94
		<u> </u>	<u> </u>
		59,569	64,342
		<u> </u>	<u> </u>
4.	TAX ON PROFIT ON ORDINARY ACTIVITIES	2000	1999
		£	£
	UK current year taxation		
	UK corporation tax at 30% (1999: 31%)	563,300	463,000
	Prior years		
	UK corporation tax	(42)	(53,045)
		<u> </u>	<u> </u>
		563,258	409,955
		<u> </u>	<u> </u>
5.	DIVIDENDS	2000	1999
		£	£
	Ordinary:		
	Final proposed of £6,100 (1999: £5,050) per share	610,000	505,000
		<u> </u>	<u> </u>

NOTES TO THE ACCOUNTS
Year ended 11 March 2000

6. TANGIBLE FIXED ASSETS

Summary	Office equipment £	Plant and equipment £	Motor vehicles £	Total £
Cost				
At 14 March 1999	508,032	2,465,157	1,353,088	4,326,277
Additions	52,157	622,909	377,168	1,052,234
Transfers in	-	-	9,318	9,318
Transfers out	-	-	(57,221)	(57,221)
Disposals	-	(185,787)	(129,047)	(314,834)
At 11 March 2000	560,189	2,902,279	1,553,306	5,015,774
Depreciation				
At 14 March 1999	284,439	1,369,163	480,621	2,134,223
Charge for the year	77,631	456,736	322,704	857,071
Transfers in	-	-	2,952	2,952
Transfers out	-	-	(5,641)	(5,641)
Disposals	-	(185,787)	(105,299)	(291,086)
At 11 March 2000	362,070	1,640,112	695,337	2,697,519
Net book value				
Owned assets	198,119	1,224,474	857,969	2,280,562
Leased assets	-	37,693	-	37,693
At 11 March 2000	198,119	1,262,167	857,969	2,318,255
Owned assets	223,593	994,900	872,467	2,090,960
Leased assets	-	101,094	-	101,094
At 13 March 1999	223,593	1,095,994	872,467	2,192,054

Capital commitments

At 11 March 2000 the directors had authorised capital expenditure of nil (1999: £267,978).

7. DEBTORS

	2000 £	1999 £
Trade debtors	3,799,481	4,253,491
Amounts owed by parent undertaking and fellow subsidiary undertakings	826,595	785,705
Other debtors	16,577	9,497
Prepayments and accrued income	21,943	14,571
	4,664,596	5,063,264

NOTES TO THE ACCOUNTS
Year ended 11 March 2000

8. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR	2000 £	1999 £
Bank overdraft	14,511	786,889
Trade creditors	1,363,352	1,256,544
Obligations under finance leases and hire purchase contracts	4,020	10,731
Amounts owed to parent undertaking and subsidiary undertakings	761,566	756,403
Corporation tax	404,270	463,000
Other taxes and social security costs	600,028	879,496
Other creditors	37,963	26,985
Accruals and deferred income	381,781	371,093
Proposed dividend	610,000	505,000
	<u>4,177,491</u>	<u>5,056,141</u>

Obligations under finance lease and hire purchase contracts are secured by the related assets.

9. CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR	2000 £	1999 £
Obligations under finance lease and hire purchase contracts due:		
- between one and two years	880	4,020
- between two and five years	-	880
	<u>880</u>	<u>4,900</u>

10. CALLED UP SHARE CAPITAL

	1999 and 2000	
	No.	£
Authorised		
£1 Ordinary shares	100	100
	<u>100</u>	<u>100</u>
	2000	1999
	£	£
Allotted and fully paid		
100 £1 Ordinary shares	100	100
	<u>100</u>	<u>100</u>

NOTES TO THE ACCOUNTS
Year ended 11 March 2000

11. PROFIT AND LOSS ACCOUNT

	£
At 14 March 1999	2,197,077
Retained profit for the year	610,253
	<hr/>
At 11 March 2000	2,807,330
	<hr/> <hr/>

12. RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

	2000 £	1999 £
Profit for the financial year	1,220,253	1,009,830
Proposed dividends	(610,000)	(505,000)
	<hr/>	<hr/>
Net addition to shareholders' funds	610,253	504,830
Opening shareholders' funds	2,197,177	1,692,347
	<hr/>	<hr/>
Closing shareholders' funds	2,807,430	2,197,177
	<hr/> <hr/>	<hr/> <hr/>

13. RECONCILIATION OF OPERATING PROFIT TO NET CASH INFLOW FROM OPERATING ACTIVITIES

	2000 £	1999 £
Operating profit	1,843,080	1,484,127
Depreciation charge	857,071	784,190
Profit on disposal of tangible fixed assets	(11,245)	(358)
Decrease/(increase) in debtors	398,668	(410,205)
(Decrease)/increase in creditors	(142,166)	221,713
	<hr/>	<hr/>
Net cash inflow from operating activities	2,945,408	2,079,467
	<hr/> <hr/>	<hr/> <hr/>

14. ANALYSIS OF CHANGES IN NET DEBT

	At 14 March 1999 £	Cash flows £	At 11 March 2000 £
Cash at bank and in hand	2,900	50	2,950
Bank overdraft	(786,889)	772,378	(14,511)
	<hr/>	<hr/>	<hr/>
	(783,989)	772,428	(11,561)
Finance leases	(15,631)	10,731	(4,900)
	<hr/>	<hr/>	<hr/>
	(799,620)	783,159	(16,461)
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

NOTES TO THE ACCOUNTS
Year ended 11 March 200015. RECONCILIATION OF NET CASH FLOW TO MOVEMENT
IN NET DEBT

	2000 £	1999 £
Increase in cash in the year	772,428	34,291
Cash inflow from decrease in debt and lease financing	10,731	56,506
Movement in net debt in the year	783,159	90,797
Net debt at 14 March	(799,620)	(890,417)
Net debt at 11 March	<u>(16,461)</u>	<u>(799,620)</u>

16. FINANCIAL COMMITMENTS

Operating leases

At 11 March 2000 the company had annual commitments under non-cancellable operating leases as follows:

	2000		1999	
	Land and buildings £	Other £	Land and buildings £	Other £
Expiry date - within one year	-	19,395	-	33,637
- between two and five years	6,000	6,209	6,000	24,663
- in over five years	116,100	-	116,100	-
	<u>122,100</u>	<u>25,604</u>	<u>122,100</u>	<u>58,300</u>

Commitments on behalf of group undertakings

The company is party with other group undertakings to cross-guarantees of each other's bank overdrafts. As at 11 March 2000, the overall commitment was nil.

NOTES TO THE ACCOUNTS
Year ended 11 March 2000**17. DIRECTORS**

	2000 £	1999 £
The emoluments of directors of the company were:		
Fees and other emoluments (including benefits-in-kind)	289,679	269,349
	<u> </u>	<u> </u>
Fees and emoluments disclosed above (excluding pension contributions) include amounts paid to:	£	£
The highest-paid director	147,361	137,437
	<u> </u>	<u> </u>
	No.	No.
The number of directors who were members of a defined benefit pension scheme	3	3
	<u> </u>	<u> </u>

The accrued pension of the highest paid director at 31 March 2000 was £15,000 (1999: £12,450).

Some of the directors are remunerated by other group companies for their services to the group as a whole, it is not practicable to allocate their remuneration between their services as directors of MITIE Cleaning (North) Limited and their services as directors of other group companies.

Messrs D M Telling and I R Stewart are directors of MITIE Group PLC and their pension details are disclosed in the group accounts.

18. EMPLOYEES**Number of employees**

The average number of persons (including directors) employed by the company during the year was:

	2000 No.	1999 No.
Site labour	4,252	4,864
Administration and management	150	144
	<u>4,402</u>	<u>5,008</u>
	<u> </u>	<u> </u>
Employment costs	£	£
Wages and salaries	20,506,803	18,112,749
Social security costs	916,385	881,608
Other pension costs	103,947	86,360
	<u>21,527,135</u>	<u>19,080,717</u>
	<u> </u>	<u> </u>

NOTES TO THE ACCOUNTS
Year ended 11 March 2000

19. RELATED PARTY TRANSACTIONS

As a wholly owned subsidiary of MITIE Group PLC, MITIE Cleaning (North) Limited, has taken advantage of the exemption from the requirement to disclose related party transactions with MITIE Group PLC and companies within the group.

20. PARENT UNDERTAKING AND CONTROLLING PARTY

The directors regard MITIE Group PLC, a company registered in Scotland, as the company's ultimate parent undertaking and controlling party. Copies of the group financial statements can be obtained from the Company Secretary at the registered office.